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NEA FOR FRONT OFFICE; NEA/IPA FOR
WILLIAMS/SHAMPAINE/STEINGER; NSC FOR ABRAMS/DORAN/WATERS;
TREASURY FOR SZUBIN/LOEFFLER/NUGENT/HIRSON

E.O. 12958: DECL: 10/20/2016
TAGS: [ETRD](#) [EINV](#) [PREL](#) [PGOV](#) [KWBG](#) [IS](#)
SUBJECT: PROBLEMS AT KARNI FORCING COCA-COLA TO SERIOUSLY
CONSIDER CEDING GAZA

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

11. (C) Summary: The chairman of the local Coca-Cola bottler, Zahi Khoury, says the company is slowly giving up on Gaza since it cannot get its West Bank-produced product into Gaza.

Khoury cautioned that there will be no new investment in Gaza without credible guarantees that exports produced there can be shipped out in a timely and predictable manner. Khoury urged that any efforts to strengthen the Presidential Guard (PG) must be done in such a way that the Palestinian "street" will see and understand. End summary.

Coca-Cola cannot get its product
through Karni into Gaza

12. (C) Zahi Khoury, the Palestinian-American Chairman of the National Bottling Company (NBC) which bottles Coca-Cola products for the West Bank and Gaza, told the Consul General October 20 that his company is slowly giving up on Gaza since they generally cannot get their product in. He said that profits the company makes in the West Bank are used to offset its losses in Gaza. With Coca-Cola products mostly absent from the market in Gaza, Khoury said that Mecca Cola is flourishing. (Note: Mecca Cola was introduced into the Palestinian market last year as an "Islamic" alternative. End note.) Khoury said he could sell ten truckloads of Coca-Cola products in Gaza in two days. According to Khoury, NBC needs to ship 100 truckloads per week to maintain its market share. (Note: NBC bottles its products in Ramallah and ships them to Gaza through the Karni/al-Mintar crossing. Mecca Cola bottles its product inside Gaza using raw material shipped in from Israeli suppliers. NBC had plans to open a bottling plant in Gaza but shelved those plans given its inability to gain assurances about bringing in raw materials. Anecdotal reports confirm that Israeli shippers are given preference over Palestinian shippers for scheduling shipments through Karni/al-Mintar. End note.)

No investment likely in Gaza without credible
guaranteed access to Karni for exports

13. (C) Khoury noted Israeli industrialist Stef Wertheimer's interest in setting up industrial zones in Gaza. While he likes Wertheimer's ideas and believes there is enough Palestinian capital to invest in such an endeavor, Khoury cautioned that few would be willing to invest without credible guarantees that exports produced there can be

shipped out in a timely and predictable manner. He referred back to the former Gush Qatif settlement greenhouses that the Palestinian Investment Fund took over after Israeli's disengagement and which suffered enormous losses due to the inability to get the agricultural product out of Gaza. While Khoury is aware of the United States Security Coordinator's plans to strengthen security on the Palestinian side of Karni/al-Mintar, he said he remained skeptical that it would be enough for Israel to keep the crossing consistently open for exports.

Street needs to see that Abbas strengthened

14. (C) Turning to politics, Khoury said that the "Palestinian street," especially in Gaza, needs to see leadership linked with strong power. If the United States and others are focused on strengthening the Presidential Guard in order to bolster President Abbas, Khoury said, then it needs to be done in such a way that the "street" comes to realize that the PG is a force to be reckoned with. He said that they need more sophisticated training and equipment; only then will there be progress on the ground there. Khoury said that he was encouraging "younger" leaders to consider joining a new government but that they were scared of the "guns in the hands of militias in Gaza."

Comment

15. (C) While NBC's experience here is typical for Palestinian firms, Coca Cola's prominence as an iconic American product affords it a much higher profile. Post recommends that the USG make additional efforts to assist NBC in moving its product to Gaza. End comment.
WALLES